

INTRODUCTION

The Office of Internal Audit reviewed the various systems that were used by the Payment/Document Control Division (PDC) in the performance of its duties during the period from October 1, 2000 through June 30, 2003. During our audit reorganization phased out PDC. The newly established Reconciliation and Recoupment Section (RRS) now performs the majority of the duties that were performed by PDC with the remaining duties being performed within the Bureau of Accounting. We reviewed the procedures in place to identify areas where operating improvements are possible and internal controls can be strengthened.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions and gained an understanding of significant systems operated by PDC, documented those systems, and tested each system to see that it operated as planned.

EXECUTIVE SUMMARY

Based on our audit, we conclude that there are several areas within the systems that were used by PDC where operating improvements can be made and internal controls can be strengthened. As discussed in the findings below, many of these improvements would be made through the use of increased automation in performing various functions or through providing additional staff to reduce errors, perform functions in a more timely manner, and improve internal controls.

RRS RESPONSE

RRS has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated September 24, 2003 that they are in general agreement

with the report. We have included an explanation of corrective action taken or planned by RRS for each finding, following the finding and recommendation.

FINDINGS AND RECOMMENDATIONS

Central Registry and State Police Match Systems

The Central Registry Match System is used to determine if Day Care Aides or Relative Home providers are listed on the Central Registry and, if so, revoke their enrollment as Day Care providers.

The State Police Match System is used to determine if Day Care Aides or Relative Home providers are listed on the State Police file (LEIN) for felony charges that would make them ineligible to be Day Care providers and, if so, to revoke their enrollment as Day Care providers.

Review of System Decisions

1. RRS internal controls over removal of day care providers to a match identified on Central Registry or LIEN were weak. One RRS employee reviewed the “Central Registry Match Active Aide and Relative Home Day Care Providers Report” (CP-210) and the “State Police Match With Active Aide and Relative Home Day Care Providers Report” (CP-250). Based upon their review, this employee made decisions on revoking or not revoking a Day Care provider’s enrollment and on whether or not to reinstate a Day Care provider whose enrollment had previously been revoked.

RRS did not have a supervisor or another employee review these decisions to assure that the decisions made were appropriate. An incorrect decision could result in an

unsuitable Day Care provider being allowed to continue providing care to children, or a Day Care provider's enrollment being erroneously terminated. Controls would be strengthened if a supervisor or second employee reviewed the decisions.

We were informed that RRS previously had a second employee review the decisions to ensure the appropriate action had been taken. However that employee left RRS in February 2003, and since that time no one has been reviewing the decisions.

WE RECOMMEND that RRS assign a supervisor or second employee to review the decisions made to revoke or reinstate Day Care providers' enrollments to ensure that decisions are appropriate.

RRS Response: RRS stated that effective October 1, 2003 a supervisor or manager will review the decisions of whether or not to terminate a Day Care provider's eligibility to receive Agency payments for services provided to our customers. RRS further stated that this will continue until a staff person is hired to perform this function on an ongoing basis.

Increased Usage of Central Registry and State Police Match Systems

2. The Central Registry and State Police Match Systems are not used for licensed Day Care providers or Foster Care providers.

The safeguards provided by these match systems for children receiving care from Day Care Aides or Relative Home providers could also be provided to children receiving care from licensed Day Care providers and Foster Care providers if the match systems were applied to these providers as well.

WE RECOMMEND RRS work with the Service Delivery Administration (SDA) to determine the feasibility of applying the Central Registry and State Police Match Systems to licensed Day Care providers and Foster Care providers.

RRS Response: RRS stated that they have forwarded suggestions to expand the match to licensed Day Care providers as well as to Children's Foster Care providers. RRS further stated that they will put this suggestion in a formal memorandum, no later than September 30, 2003, and request a response.

Retroactive Day Care Provider Enrollments

3. RRS internal controls did not prevent issuance of day care payments to ineligible providers when local office specialists established a retroactive eligibility begin date for Day Care providers several months before the actual enrollment date.

During our audit of the State Police Match System it appeared that some of the Day Care providers had been enrolled for a number of months before the match process identified these providers as convicted felons. Upon further review however, we found that these Day Care providers had been just recently enrolled before the match process identified them. What had actually occurred was that local office specialists established a retroactive eligibility begin date when they enrolled the providers so that the providers could be paid retroactively if the enrollment wasn't done in a timely manner.

We noted one instance where the Day Care provider was enrolled on May 1, 2003 but the specialist established a retroactive eligibility begin date of January 15, 2003. The Day Care provider appeared on the May CP-250 as a convicted felon.

However, by then the convicted felon had provided Day Care services to children from January 12, 2003 through May 3, 2003 and three warrants totaling \$5,120.00 were issued to this Day Care provider on May 14, 2003.

The establishment of an edit in the payment process which would prohibit payment until the Central Registry and LIEN clearances are completed would help ensure that FIA does not pay convicted felons for day care services. Any valid charges for care provided prior to their conviction could be handled as an exception transaction in Central Office.

WE RECOMMEND RRS request an edit in the payment system to prevent payments to day care providers who have not been cleared on Central Registry and LIEN.

Note: RRS has requested that an edit be established to limit retroactive eligibility begin dates.

RRS Response: RRS subsequently stated that they had requested that the Day Care Program Office prepare a Systems Request/Maintenance Request; however they have not received an acknowledgement that this has been accomplished. As a result, they will prepare a request for an edit that would prevent local offices from enrolling providers retroactively prior to implementation. (RRS noted that this will have to be approved by Field Administration and by the Day Care Program Office.)

Bureau of Accounting Payment Systems

Reconciliation to MAIN

4. None of PDC's various payment systems are reconciled to MAIN.

Reconciling these payment systems to MAIN would strengthen internal controls, assist in the detection of errors, and provide more assurance in the accuracy of information.

WE RECOMMEND the Bureau of Accounting develop a monthly process to reconcile PDC's payment systems to MAIN.

RRS Response: RRS stated that the Bureau of Accounting will review its payment processes to determine appropriate reconciliations to MAIN.

Welfare Debt Collection System

Reconciliation of Debtor-Customer's Outstanding Balance

5. RRS did not reconcile its outstanding balances for debtor-customers with Department of Treasury's outstanding balances. When a debtor-customer is referred to the Department of Treasury (Treasury) to have their debt offset against any State income tax refunds, Treasury maintains their own records of the debtor-customer's outstanding balance. FIA also maintains records of the debtor-customer's outstanding balance.

Because there was no reconciliation performed, errors in determining the debtor-customer's outstanding balance were not caught in a timely fashion. These errors could be caught and corrected in a timely manner if periodic reconciliations were performed.

WE RECOMMEND RRS implement a process to periodically reconcile Treasury's outstanding balance figures to FIA's figures.

Note: RRS stated that a reconciliation process is currently being worked on.

RRS Response: RRS subsequently stated that the Welfare Debt Unit supervisor has submitted a Service Request relating specifically to FIA and Treasury debt balances and the need to reconcile these at least monthly.

Personnel Adjusting Customer's Balance on Automated Recoupment System (ARS)

6. FIA did not have adequate internal controls over the adjustment of customers' balances on the Several employees in PDC's Welfare Debt Collection Unit as well as all specialists around the State can adjust or delete the customers' balance owed on the Automated Recoupment System (ARS).

Allowing multiple employees to change customers' balances increases the opportunity for worker fraud and errors. Accuracy and integrity of customer account balances would be improved if changes to customer account balances were authorized by specialists in the field, approved by their supervisors, and entered by selected RRS staff.

WE RECOMMEND RRS work with FSA and request a change to allow only selected RRS staff to make changes to customer account balances on ARS, after the changes are authorized by specialists and approved by supervisors.

WE ALSO RECOMMEND FIA implement internal controls to ensure that adjustments or deletions to the customers' balance owed on ARS are done accurately within RRS and among caseworkers throughout the State.

RRS Response: RRS stated that they lack the staff to verify every entry made by its workers and believes that doing so is an extreme internal control measure. RRS further stated that they will ask Field Services Administration about curtailing the ability of field staff to make changes to ARS since this will directly affect their ability to get timely payments to Day Care providers.

Day Care Overpayment Recoupment System

The Day Care Overpayment Recoupment System is used to recover overpayments made to Day Care providers and to maintain a record of the remaining overpayment balance for each provider.

Day Care Overpayment Balances

7. For two of six (33%) Day Care Overpayment Recoupment System cases we reviewed, the overpayment balance shown on the Day Care Overpayments Schedule was incorrect. When RRS employees enter a payment received into the system, they must manually adjust the account balance.

Maintaining the Day Care Overpayment balances manually increases the possibility of errors occurring and reduces assurance that the balances are correct.

WE RECOMMEND RRS request a system change to automatically update the customer account balance when payments are entered.

RRS Response: RRS stated that FIA staff are currently working on developing automated processes for Day Care Program recoupment.

Pursuing Day Care Overpayments in a Timely Manner

8. RRS did not always make tax stop referrals in a timely manner. For two of three (66%) cases reviewed where a Tax Stop Referral had not yet been made there had not been any payments received, nor had there been any activity pursuing payment for several months. RRS policy is to make a tax stop referral when the provider is not making payments. The delay in tax stop referral may be due to the fact that RRS is short of staff.

The likelihood of recoupment increases when overpayments are pursued on a timely basis.

WE RECOMMEND RRS pursue delinquent overpayment accounts on a timely basis.

WE ALSO RECOMMEND RRS determine if there are areas of the overpayment collection process that can be automated, thereby reducing the amount of time that must be devoted to this area.

RRS Response: RRS referred to their response to Finding #7 and added that they have only one individual who handles all miscellaneous recoupment which includes Day Care, Adoption Subsidy, Contracts, Commission for the Blind, etc. RRS further stated that budgetary constraints preclude their obtaining approval to hire additional staff.

Day Care Overpayments Resulting From Paperless Billing System

9. Day Care provider overissuances resulting from the Child Day Care Paperless Billing System may not be resolved in a timely manner. We were informed that

shortly after the Child Day Care Paperless Billing System began RRS received a CH-450 report (Child Development and Care Revised Provider Bills Resulting In Payment Amount Less than Original) which was 285 pages. This report contains overissuance amounts resulting from providers who submitted a revised bill that showed less Day Care hours than the original billing.

RRS currently has one person available to pursue these overissuances among other duties. As a result, these overissuances may not be addressed on a timely basis. However, if the payment system could be designed to automatically generate a letter informing the providers of overpayments, and to recoup these overpayment amounts when the next billing is processed, these overissuances could be resolved without requiring as much RRS staff time.

WE RECOMMEND RRS work with SDA to revise policy and request a system change to automatically send letters to providers and recoup overpayments identified on the CH-450 report.

RRS Response: RRS referred to their response to Finding #7.

Adoption Subsidy Overpayment Recoupment System

When an adoption support subsidy overpayment has been made to an adoption support subsidy case that has been closed, but the family is receiving additional adoption support subsidy funds for one or more children, RRS attempts to recoup the overpayment by obtaining an adoption support subsidy reduction on the case of the youngest child for whom the family is receiving an adoption support subsidy.

Timely Updating of Adoption Support Subsidy Overpayment Balances

10. Balances shown on the Adoption Subsidy Overpayment Schedule for cases involving adoption support subsidy reductions and balances recorded on the case file cover sheets of those cases usually were not the current balances.

When an adoption support subsidy reduction has been obtained on one child's case, the balance due on the overpaid adoption support subsidy case is reduced each month by the amount of the adoption support subsidy reduction. However the balance on the Adoption Subsidy Overpayment Schedule was only updated periodically for adoption support subsidy reductions rather than every month when they occurred. Also the cover sheets in the case files, which are used to record the payments and show the remaining overpayment balance, did not show the monthly overpayment balance reductions taking place as a result of adoption support subsidy reductions.

The Adoption Subsidy Overpayment Schedule and the cover sheets in the case files should be updated timely to accurately reflect the adoption support subsidy overpayment balances both in total and on a case by case basis. An automated process could be designed to record the resulting decreases to the appropriate account balances automatically when the adoption support subsidy reduction occurs. This would help ensure current, accurate records, and reduce the amount of staff time needed to maintain these records.

WE RECOMMEND RRS record the balance reductions resulting from adoption support subsidy reductions on the Adoption Subsidy Overpayment Schedule and the cover sheets in the case files in the month they occur.

WE ALSO RECOMMEND RRS request a system change to automatically adjust the account balances in the Adoption Subsidy Overpayments Schedule and the cover sheets for each case when an adoption support subsidy reduction occurs.

RRS Response: RRS stated that they agree, however budgetary and staffing constraints do not allow them to accomplish monthly updating of account balances. RRS further stated that the Adoption Program Office is redeveloping their systems and they are hopeful that recoupment will be part of that process.

Documentation of Adoption Support Subsidy Reduction in Case Files

11. RRS did not document the results of requests for adoption support subsidy reduction in the case files. The files did not indicate if the adoption support subsidy reduction had taken place, and the date that it took effect. This information should be included in the case file to document the fact the adoption subsidy reduction request had been acted on, and when the reduction went into effect.

WE RECOMMEND RRS document the action taken on adoption support subsidy reduction requests, and the date the action was taken, in the case files.

RRS Response: RRS agreed with the finding and referred to their response to Finding #10.

Supplemental Security Income (SSI) Recoupment System

When a caseworker authorizes Interim Assistance for a customer for whom SSI has been applied for from the Social Security Administration (SSA), FIA is to be reimbursed for that assistance from the customer's first SSI payment, if the customer is determined to be eligible for SSI by the SSA.

Informing RRS of SSI Applications

12. FIA does not have a system in place to notify RRS that they should be expecting Interim Assistance Reimbursement for a customer. RRS is not aware of the expected reimbursement until they actually receive the SSI payment or related information from SSA. RRS has no way of knowing what they should be expecting from SSA, or if they have received everything they should have received.

If specialists in the field notified RRS when they have authorized Interim Assistance for a customer for whom they have applied for SSI, RRS could reconcile amounts and information received from SSA with amounts expected for reimbursement of Interim Assistance.

WE RECOMMEND RRS request that Field Services Administration (FSA) implement a system for caseworkers to inform RRS when they have authorized Interim Assistance for a customer for whom they have applied for SSI from SSA.

RRS Response: RRS agreed and stated that they will contact Field Services Administration to identify what is necessary to accomplish this recommendation.

Foster Care Overpayment Recoupment System

Backlog of Foster Care Overpayment Cases

13. As of July 1, 2003, RRS had a backlog of approximately 500 cases of foster care overpayments that had not been entered on the Child Welfare Family Information System (CWFIS) due to a shortage of personnel to perform this function. There was one person who performed this task among her other duties. The CWFIS is used to record and maintain foster care overpayment balances.

As a result, no follow-up on these foster care cases where overpayments have been made is currently being done, except for an initial letter informing the foster care provider of their overpayment. Also where recoupment is occurring, no record of the remaining balance to be recovered is being maintained.

WE RECOMMEND RRS request additional staff to get the backlogged foster care overpayment cases entered on CWFIS.

RRS Response: RRS stated that the backlog has now increased to over 1,000 cases. RRS agrees with the recommendation. They stated that they have supervision performing employee tasks and budgetary constraints preclude their hiring the necessary staff.

Energy Refund System

The Energy Refund Process pertains to Energy/SER (State Emergency Relief) payments that are returned by vendors. RRS researches payments and vendored accounts and posts returned payments back into the system to adjust customer cap amounts, which allows the energy system to properly reconcile at mid-year vendor termination and year-end cost reconciliation. RRS also analyzes refunds received from prior years and determines whether or not to refund excess money back to the customer.

Process not being Performed

14. RRS had a six-month backlog of Energy Refunds during our audit period. We were informed that RRS had not processed energy refunds since the employee who had been performing this function left RRS in February 2003 because they had no one available to process them.

WE RECOMMEND RRS request additional staff to research energy refunds and properly post them to the energy system.

RRS Response: RRS stated that they now have a nine-month backlog. They further stated that they have permission to create a position and are pursuing this.

Mail Sorting and Distribution System

One Person Opening Mail

15. The Document Control Section (DCS) had only one person opening the mail. Having two people opening the mail and listing all cash and negotiable instruments received helps to ensure that these items received in the mail are not lost or stolen prior to being recorded in the Cashier's Unit.

WE RECOMMEND DCS have two people work together to open the mail and list all cash and negotiable instruments received.

RRS Response: RRS stated they agree with the recommendation. RRS further stated that with the movement of their Section to the Grand Tower Building, the one individual opening mail is physically located with mail room staff and they are now in compliance with the recommendation.